

State of Rhode Island and Providence Plantations
DEPARTMENT OF BUSINESS REGULATION
Division of Banking
233 Richmond Street
Providence, RI 02903

STATEMENT OF NEED FOR EMERGENCY ADOPTION OF BANKING
REGULATION 3 – HOME LOAN PROTECTION ACT

In July of 2006, Title 34 of the General Laws was amended to include the Rhode Island Home Loan Protection Act (hereinafter the “Act”). *See* R.I. Gen. Laws § 34-25.2-2. The Act becomes effective on December 31, 2006. The General Assembly enacted the Act because it found that predatory lending has become an increasing problem in this state, threatening the viability of many communities and causing decreases in home ownership. While the marketplace may appear to be operating effectively for most home loans, too many homeowners are falling victim to unprincipled creditors who provide loans at exorbitant costs and include terms which are unnecessary to secure repayment of the loan. The General Assembly found that as competition and self-regulation have not eliminated the predatory terms for home-secured loans, the consumer protection provisions of this chapter are necessary to encourage responsible lending.

Pursuant to R.I. Gen. Laws § 42-35-3(b), an agency may, if it finds adoption of a rule upon less than thirty (30) days’ notice is necessary because of imminent peril to the public health, safety, or welfare, adopt an emergency rule without prior notice or hearing, or upon any abbreviated notice and hearing that it finds practicable. The rule so adopted may be effective for a period not exceeding one hundred and twenty (120) days. *Id.* Furthermore, R. I. Gen. Laws § 42-35-4(b)(2) provides that, subject to constitutional or statutory provisions, an emergency rule may become effective immediately upon filing with the Secretary of State if the agency finds that such an effective date is necessary because of imminent peril to the public health, safety, or welfare.

The Department of Business Regulation has determined that conditions exist that necessitate the adoption of this Regulation on an emergency basis, to be effective upon filing with the Secretary of State. The Department of Business Regulation finds that there is imminent peril to the public health, safety, or welfare in that the provisions set forth in the regulation are necessary for the Department to properly implement the Act. Therefore, this Emergency Regulation is required, *inter alia*, in order to: (i) ensure timely compliance with the statute; (ii) protect the public interest for important financial transactions; and (iii) protect the viability and integrity of the financial marketplace.